NOTES FOR REMARKS

BY

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TO

HOUSE OF COMMONS SPECIAL COMMITTEE ON NORTH-SOUTH RELATIONS

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I am grateful to you for inviting me to share with you my views on North-South relations.

1. I begin with the statement of my belief that certain ingredients are necessary for a self-sustaining and functioning international community. On my list, three are factual, one attitudinal:

(i) - economically resilient and politically stable countries

(ii) - a strong and equitable international trading and monetary system

(iii) - acceptable mechanisms for the peaceful settlement of disputes

(iv) - a dedication on the part of all major actors to an enhancement of human dignity.

A pre-condition even to these ingredients, however, is the existence and preservation of a wholesome natural environment.

The attainment of these ingredients is in the interest of Canadians, of Canada and, I believe, all humanity.

2. I continue with a statement of my belief that Canadians wish to contribute to the attainment of those ingredients, and would find offensive any circumstances which placed Canada in either a non-supportive or a detractive position. I suggest, for example, that Canadians would not wish to continue policies or activities, no matter how attractive otherwise, that gave to Canada advantage or privilege at the expense of people elsewhere. Canadians are understanding of diversity and dedicated to fairness.

3. Against this background, this Special Committee of the House of Commons must test the many fibres which, together, form the fabric of Canada's relations with the developing countries. In my response to your invitation to testify before you, it would be presumptuous of me to repeat, or attempt to strengthen, the evidence so broadly available from so many authoritative sources. This evidence establishes beyond any reasonable argument that those ingredients I have listed are not attainable without the full and active involvement of

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both industrialized and developing nations. More, that evidence establishes that the absence of effective involvement is contributing to ever more unmanageable circumstances among countries and within them, Canada included.

The past ten years are of special importance in your examination because of their designation as the Second Development Decade. That decade's commencement was heralded, and its record chronicled, by two World Bank Commissions. The earlier commission, chaired by the late Lester B. Pearson, termed international development "a great challenge of our age". The later commission, chaired by Willy Brandt, speaks of the present "crisis" and the need to "avert catastrophe". The contrast of environments - 1970 and 1980 - cannot be more dramatically described than in the titles of the two reports. Pearson: "Partners in Development"; Brandt: "North-South, A Program for Survival". The message of Pearson was one of confidence that change would ensue; the recommendations focussed primarily on a larger transfer of resources. The message of Brandt is far from confident: worldwide catastrophe threatens; the recommendations call for major structural reforms in the international community.

Development can be regarded no longer simply as a challenge; it is the dominant factor in contemporary world events. All the more dominant because so many in the wealthy countries refuse to acknowledge

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its importance. Yet 17 years have passed since Pope John XXIII said that "the new name for peace is development". In that period of time the disparity in living standards between rich and poor has broadened, rather than narrowed. The world is so divided economically that 20 per cent of the population enjoys about 80 per cent of the world's income.

The issue of development is no longer one of optional concern. The economic future of the industrialized countries depends now - as it did in 1870 and in 1929 - upon growing overseas markets, largely in the developing countries. The equilibrium of the biosphere is faced now - as it has never been faced before - with irreversible destruction as deforestation and pollution relentlessly spread. The survival of mankind is threatened - more credibly than at any time in history - by nuclear arsenals and conventional armanent stockpiles in the possession of regimes ravaged by political instability.

Pearson argued that in the simplest of terms development was an imperative because "it is only right for those who have to share with those who have not."

Brandt added a critical argument. "To diminish the distance between 'rich' and 'poor' nations, to do away with discrimination,

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to approach equality of opportunities step by step, is not only a matter of striving for justice, which in itself would be important. It is also sound self-interest, not only for the poor and very poor nations but for the better-off as well."

Self-interest. Economic self-interest. Ecological self-interest. Political self-interest. The moral imperative of survival.

Development may be an imperative, but is not a simple task; nor is it capable of early fulfillment. Still less does it guarantee automatically social justice. The grave inequities of the industrial revolution bear testimony to the latter. The continued quest in Canada and elsewhere for acceptable and effective development strategies are evidence of the former. What is recognized, however, though not yet universally accepted, is the investment nature of development. Development decisions are investment decisions. The priorities set by governments in the development of their countries have inevitable long-term financial implications. The construction of a transportation or a power-generating facility, the implementation of a national food or health policy, the establishment of an education program, or the promotion of secondary manufacturing industries all commit the national economy to expenditures for 20, 30 or more years.

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Some of these expenditures are of a capital nature, others take the form of recurring costs. Yet expenditures they are, and this whether the initial funds come from domestic sources, whether - if from abroad - they take the form of conventional, concessional, or even grant arrangements, whether the object of financing is a project or a program.

4. If development is a condition precedent to the attainment of a self-sustaining and functioning international community; if Canada is to contribute effectively to that process; what is to be done?

- First, and of the greatest importance in a democratic society, Canadians must understand what is expected of them. With respect, I submit the burden of conveying that understanding falls heavily upon Members of Parliament.

- Second, Canadian policies toward the developing countries must be honestly taken and honestly executed. If we believe, as I do, that it is in Canada's interest to contribute to the development of Third World nations, then our acts designed for that end must primarily seek the attainment of that goal.

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- Third, Canadian policies must span the entire developmental spectrum and respond to the several categories of requirements - resource transfers, institutional and systems reform, facilitation of trade, enhancement of indigenous capacity.

Should Committee members wish, I would be happy to amplify these three categories. I wish to spend an additional moment, however, on the issue of honest policies. I shall link it to my earlier description of development as investment.

A multi-decade expenditure commitment is a serious matter. Any decision to enter into one should be preceded by the most painstaking examination of all the components and of all the alternatives. Yet, as we know, that is easier said than done. We in the industrialized countries, possessed as we are of the concepts and the means to design and project sophisticated econometric models, still commit the most grievous of investment errors. Examples abound in both the social and industrial sectors. It should not be surprising, therefore, that the developing countries err. It should not be expected, however, that the industrialized countries contribute to the incidence of error. For contribute we do. Sometimes unwittingly. Sometimes purposely. And the latter, in my view, is unconscionable.

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In a biting, but not inaccurate commentary, the FAO magazine "Ceres" contended that the real needs of the developing countries

> "are subordinated to ideological preferences, commercial chicanery, 'historic' or linguistic links, patronage, the desire to counterbalance one nation against another, and the whole arsenal of good intentions, not-so-good-after-thoughts, and, still worse, 'second thoughts'."

The source of those influences are both domestic and foreign. One of the most insidious, most destructive of the development process, and yet most commonly practiced stems from the unwillingness of the industrialized countries to allow developing countries to assume decision responsibilities. But be in no doubt, the taking of decisions is an exercise of power.

I quote Julius Nyerere, President of Tanzania:

> "The people must participate not just in the physical labour involved in economic development, but also in the planning of it and the determination of priorities.
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> "At present the best intentioned governments too easily move from a conviction of the need for rural development into action as if the people had no ideas of their own. This is quite

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> wrong. At every stage of development people do know what their basic needs are. And just as they will produce their own food if they have land, so if they have sufficient freedom they can be relied upon to determine their own priorities of development and to work for them."

President Nyerere was referring to practices within Tanzania. He could as easily have been referring to practices on the North-South axis.

Whether or not development decisions are, as I suggest, investment decisions, the decision-making process must be discharged - as it now all-too-seldom is - within the developing countries themselves. The contribution of the industrialized countries to this process should be confined to the advisory, and as little of that as practical. An absolutely essential element in the pre-decision process must be that of investment counselling, including preparatory study, investigation, research. Yet the research capacity of the developing countries continues in 1980 to be woefully weak. The United Nations Conference on Science and Technology for Development estimated that of all research undertaken in the world only some three per cent was located in the developing countries. The Conference recommended that this figure increase to twenty per cent by the turn of the century.

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The enhancement of developing country research capacity remains the raison d'être of the International Development Research Centre.

5. In concluding, may I offer to you as policy makers, my own arguments for prompt, effective policy movement. I start by repeating my belief that there is within this country a sense of fairness and a realization that all governments in all countries require revenue stability and predictability to permit effective planning and sound policies. That sense and that realization combine, I suggest, to support a Brandt proposal for some system of automatic resource allocation to permit the developing countries to plan their development other than in the guise of passengers riding the roller coasters of primary commodity markets and debate of foreign aid bills in industrialized country legislatures. There is a variety of levies that could be introduced to supplement or even replace conventional aid - on the mining of seabed minerals, on arms sales, on international travel, even an international income tax based on a sliding scale related to national income.

I continue by arguing that new structures and new processes must be designed by architects from both North and South and not imposed, with whatever good intentions, by we from the North acting on our own. To engage in this act of faith in constructive negotiation

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there must be understanding on both sides. Understanding by us that in the South there is suspicion that in these negotiations the North seeks basically to retain its present overwhelming economic advantage. Understanding, too, that the frustration and humiliation of 400 years of colonial heritage cannot be erased in two decades. Understanding by the South that in the North there is fear that alternatives for market disruption and employment transfers are not yet designed. And understanding that we in the North are as dedicated to the removal of domestic income disparities as we are concerned with international disparities.

The next step in this course of action I am proposing requires us to calculate the cost of not acting. By this, I mean the cost to the North if economic insecurity, political instability, and environmental deterioration continue in the South; if Canada's vigorous export industries fail because our trade barriers deny to developing countries the opportunity to earn the foreign exchange required to buy Canadian goods. The cost to the South if opportunity for agreement is lost because of inflexible bargaining positions or ideological rigidity. By cost I mean something more precise than broad statements. I mean the calculation in dollars and cents terms of the cost to Canadians and others in the north if forest stands are halved by 1999, and temperatures in the northern hemisphere rise, and precipitation is reduced; the cost in lost agricultural output, the cost in inflated food prices, the cost in

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unemployment in the food-processing and transportation industries, the cost in pollution-induced health hazards, etc. I mean the calculation as well of the cost to our economies if northern banks fail because of the inability of developing countries to service their debts; of the cost of unemployment in the export-dedicated industries if developing-country markets diminish; of the cost of ever increasing security measures as political instability spreads.

Most of these costs can be calculated today just as it is possible to assess with some accuracy the cost to society of an unrehabilitated alcoholic, or a blizzard, or an epidemic of polio. We can verify for ourselves the cost either of prevention or of treatment for these and many other social, medical, environmental or economic woes, and we can compare those figures with the cost of doing nothing. We know the loss to our own economies of a non-productive adult, of the cost of maintaining a criminal in jail or a family on welfare, of failing to overcome the traffic congestion on a too-narrow bridge; we recognize the economic as well as social advantage of sanitary sewer systems and pure water supplies and medical care and compulsory education and adequate shelter. It is standard practice in the North to engage constantly in these costing exercises. Isn't it time then that similar calculations of the cost of doing nothing in North-South terms be presented to the taxpayers of Canada?

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I have no doubt of the message they would send to Parliamentarians on receipt of that kind of cost-benefit analysis.

I have no doubt either of the immense sense of fulfilment and spiritual uplift which will accompany the knowledge that effective steps are underway to reduce the indefensible inequities now in place in the international community. Moral suasion, in my view, should not be the primary motivation in developmental activity. Moral satisfaction should certainly be one of the benefits, however: the knowledge that there has been some contribution to human well-being, to the dignity of the individual and to the enhancement of his or her quality of life. This knowledge is the complement of the responsibility we all share. It is a knowledge that will bring with it satisfaction, joy and freedom.

I offer you every good wish in the discharge of your important task.